

Warren Mosler bere onean (at his best)

In [Elkarrizketa Warren Mosler-ekin \(2020\)](#)

Marx eta marxismoa...

I get confused. The tax liability causes something that didn't exist before, which is people looking for paid work, which is how we define unemployment. Unemployment is not people looking to volunteer at the American Cancer Society. People looking for paid work and want the money. And they can't find it. And so the tax liability creates people looking for paid work who cannot find it because there aren't any dollars, initially, apart from the tax credits, the dollars, apart from what the government has the ability to pay – to credit your account with.

And so the purpose of taxation, by design, is therefore as a point of logic, to create unemployment, something that did not exist before. There's no other cause of unemployment. Without the yen, there wouldn't be millions of people in Japan looking for work, that paid in yen, who couldn't find it. Right? It doesn't work that way. They'd be looking for something else if they were looking, but they wouldn't be looking for yen. We define it as, in Japan, as people looking for work paid in yen.

In the US, it's people looking for work paid in dollars. If there wasn't a tax liability denominated in dollars, if the government hadn't done that, there wouldn't be any unemployment as we defined it. So. An important MMT contribution to the history of thought is that unemployment is everywhere and always a monetary phenomenon, and the tax liabilities, by design, function to create unemployment. So that is the source of unemployment. And when I talk to Marxian economists, guys like Riccardo Bellofiore, you know, over in Italy, he's really sharp guy¹...

(...)

1 Ikus (https://twitter.com/r_bellofiore/status/1297555702437818368)

Riccardo Bellofiore [@r_bellofiore](#)

[@r_bellofiore](#) [@StephanieKelton](#) eta [4beste](#) erabiltzaileei erantzuten

Here there is a long video debating with Warren and Andrea Terzi of a few years ago, where in my intervention (after 1:23) I try to highlight some differences in how to frame theoretically a macro-monetary theory of (capitalist) production/3



19 Marzo 2014 - Seminario di Warren Mosler Visiting Professor all'...

Titolo del seminario: [The Mosler Economics Modern Money Theory](#) relatore.

Warren Mosler discutono i professori: Riccardo Bellofiore (Università di Bergamo) St...

[youtube.com](#)

... Marx never understood that as the cause of unemployment. He wrote an awful lot about it and the class struggle on point. But it was never understood that the cause of unemployment was coercive taxation. He gave us credit for that contribution to the history of thought. I did a little paper on it, I did a lecture for his class.

He said, tell me what you think are the contributions, gave full credit for that being the contribution. He's now in his 70s, I think. A good historian. He's seen it all, been to a the conferences. And a recognized leader in the field. So anyway, so OK. So I'll take it. OK, so we get credit for that. For pointing out that the cause of unemployment is taxation. Nobody else says that, right?

Gehigarriak:

(i) Interview of Scenarieconomici.it to Warren Mosler, the US economist founder of postkeynesian economic school of Modern Money Theory

([https://scenarieeconomici.it/interview-of-scenarieeconomici-it-to-warren-mosler-the-us-economist-founder-of-postkeynesian-economic-school-of-modern-money-theory/](https://scenarieconomici.it/interview-of-scenarieeconomici-it-to-warren-mosler-the-us-economist-founder-of-postkeynesian-economic-school-of-modern-money-theory/))

Here the interview of [Scenarieconomici.it](https://scenarieeconomici.it) to [Warren Mosler](#), the US economist founder of postkeynesian economic school of [Modern Money Theory](#) is again in Italy, he's been invited by the University of Bergamo as "Visiting professor", due to the effort of Prof. Stefano Lucarelli (Monetary policies). Mosler will meet and discuss with several heterodox italian economists (Claudio Borghi, Emiliano Brancaccio, Sergio Cesaratto, Nino Galloni). The plan on website www.retemmt.it



About MMT

1) What is the most important point that must be clear for a student that approaches MMT?

ME/MMT is about how a currency works and interacts with the real economy.

2) "Monetary sovereignty" is a common principle today, but it's more difficult understanding how the State could generate wealth by using deficit spending. It's a thinking that goes against the "common sense". Could you explain it in few words?

ME/MMT makes it clear it's not about generating real wealth, as it's true you can't get something from nothing. ME/MMT shows how there is no unemployment when there is no state currency and no state taxation, and that unemployment is the result of specific

policies, and not an 'act of God'. That is, government policy can restrict employment and the activities that create real wealth, and removing those restrictions can restore that real wealth creation. Additionally, ME/MMT is about how public infrastructure can enhance real wealth or, alternatively, it can destroy it.

3) Someone thinks that MMT fits only to USA because the US dollar is the international reserve currency. If this would be true, MMT wouldn't be applicable to the other countries. How could you answer about this issue?

ME/MMT analysis applies to all currencies. Yes, it is true that many nations hold \$US reserves is a benefit to the US, but that is a separate ME/MMT discussion.

4) What is the thing that a State with monetary sovereignty should absolutely avoid?

Unemployment.

About Italy

5) If you would be Ministry of the Economy, how would you help Italy to "revive"? Could you explain to us the principal actions you would take?

First I would petition the EU to relax the deficit limits to 8% of GDP from the current 3% limit. At the same time I would ask that the implied guarantee of member nation debt be entered into law. And I would also ask the EU to have the ECB fund a transition job for anyone willing and able to work to facilitate the transitions from unemployment to private sector employment.

6) You know perfectly that Italy lost (between 1995 and today), the 18% of GDP related to EU average value, and that there is, in European economic context too, an increasing trend into decline. It's clear that there are structural problems in Italy and, in addition to this, that Italian economy didn't adapt itself to a fixed exchange rate monetary system. Do you recommend that Italy should exit from Euro? How should the euro-exit be done, technically?

First I would petition the EU for the above modifications, and give them no more than 90 days to respond. If they refuse, I would have Italy begin taxing and spending in lira to enact the recommended changes needed to sustain full employment.

7) On we support the position that it's necessary a significative reduction of public expenditure and a contemporaneous reduction on the level of taxation, and a releasing of investments, and we elaborated detailed proposals about these points. Do you think that these type of plans would be really applicable in Italy?

Italy and the rest of the EU needs larger public deficits. This can be done with tax reductions and/or spending increases, but if the deficit is not increased the unemployment will continue.

8) In your opinion the italian public debt should be honored as it is, or should it be repudiated and restructure it?

With my above proposals the debt would be 'honored' and remain as the net savings for the economy.

9) Thank you for this interview. May you send to our readers a message of hope in the future?

There is hope when the leaders begin to understand that the public deficit needs to be larger rather than smaller.

(ii) My response to a post on an Italian Keynes blog

Posted by [WARREN MOSLER](#) on December 9, 2012

Warren Mosler comments on [Keynes blog](#), Italy

warren mosler 8 dicembre 2012

First, let me remind that MMT was originally 'Mosler Economics' which began with 'Soft Currency Economics' (1993) which can be found at <http://moslereconomics.com>. Also, highlights of the 'history of MMT' are in 'The 7 Deadly Innocent Frauds of Economic Policy' free online also on my website. Note too that 'Soft Currency Economics' was a result of my first hand experience after 20 years in banking and monetary operations. I had never read Keynes, or even heard of Lerner, Knapp, or had any knowledge of any 'post Keynesians'. So while it may be true that MMT can be derived from one school of thought or another, it didn't happen that way. And, for example, when I put forward my 'real vs nominal' discussion of fiscal transfers in a monetary union earlier this year, explaining how the production of public goods and services for the benefit of the entire union is in fact a real cost to the region that receives the funding to produce these public goods and services, that was also 'original MMT thought' (fully recognizing the shortcomings of such a statement!).

Second, if there is a 'fundamental' contribution of MMT to 'the literature' it's the explicit recognition that a currency like the dollar is in fact a simple public monopoly, and all the rest follows. Along those lines I have lectured on the long standing 'Keynes vs the Classics' discussion, where the Classics argued there can be no unemployment without monopoly, and Keynes argues there in fact can be persistent unemployment even without monopoly, due to the effects of unspent income, etc. in the monetary system. My response is they both failed to explicitly recognize the currency itself is a public monopoly. Notional demand is from taxation and from savings desires, and notional supply from state spending and/or state lending. And unemployment is the evidence of a restriction in supply from the monopolist- the failure to spend enough to satisfy the need to pay taxes and the desires to net save in that unit of account. So the classics were right in that unemployment does come from monopoly, but they failed to recognize the applicable monopoly. And Keynes was right, the problem was on the monetary side, but he failed to recognize the currency itself was a simple public monopoly, even though he described it much along those lines. If Keynes had recognized the currency was a monopoly, he surely would have explicitly said so in this discussion, and many other places as well to support many of his contentions. I'll post this and then go on with additional response to the above blog.

warren mosler 8 dicembre 2012

With regard to circuit theory, when I first met the Post Canadians ;) in the mid 1990's who I very much respect, especially the M&M's (Mario and Marc), and read a bit of circuit theory, it seemed so 'intuitively obvious'- a case of 'goes without saying'- I wondered why it was even worth writing about! And my first comment was that while I fully agreed with what they were saying, it didn't 'start from the beginning' in that it began with firms borrowing to pay workers, but never discussed why anyone would work for the currency in the first place. I explained to them that it about the currency being a simply public monopoly, with tax liabilities the 'driving force' behind the 'government circuit' where, at the macro level, taxation creates sellers of real goods and services, including labor, which is why people work for businesses, etc. Professor Alain Parguez immediately picked up on this and added it to his model in his next paper, only

to be severely criticized and isolated by much of the 'Circuitist' community for many years! Most came around to accept it over the years, though some continue to fail to do so.

warren mosler 8 dicembre 2012 **alle 16:16**

Next:

"I think it's worth remembering that this thesis is a rigorous foundation of the theory of relative prices and distribution in the development of the so-called "[theory of production](#)", which, among others, Leontief and Sraffa have made outstanding contributions above (see Pasinetti 1975; Kurz and Salvadori 1995, cf. Petri also 2004). In particular, in the light of the theory of production and the above-mentioned argument and its implications can be extended to so-called "long term", and the objections of Krugman (2011) to the MMT can be effectively criticized."

Relative prices, yes, but MMT reveals the source of absolute nominal prices. And it's very simple. As everyone knows, a monopolist is 'price setter' rather than 'price taker'.

And a monopolist is price setter for two prices. The first what Marshall called the 'own rate' which how his 'item' exchanges for itself. With a currency this is the rate of interest, which we know is set by the CB and not 'the market' as we know the CB is monopoly supplier of reserves to its banking system, and therefore is price setter as it prices the banking system's marginal cost of funds. The second is how the monopolist's 'item' exchanges for other goods and services, which we call 'the general price level'

I say it this way- the price level is necessarily a function of prices paid by the issuer when it spends, and/or collateral demanded when it lends.

warren mosler 8 dicembre 2012

Next:

"However, as Lavoie has shown, it is derived from a simple accounting convention: some modern monetary theorists analyze the central bank and the state as if they were a single sector consolidation. The mystery is easily solved, then. However, it should also add that this consolidation, in the current political and institutional reality, does not exist." First, I do very well know, recognize, and account for the institutional realities at all times. As I do know that no matter how you look at it, [spending comes first before taxing of borrowing for the issuer of the currency](#), which includes his designated agents.

[Congress](#) is the issuing authority, and has assigned various tasks to [the Treasury and Fed](#) to carry out its will.

The Fed operates a spread sheet that contains the accounts of its member banks, as well as an account for the Treasury.

I begin, for purposes of this discussion, at inception, with no balances in any accounts.

Any payment of taxes would require the Fed to debit a member bank account and credit the account of the treasury.

This is impossible with no balances in the member bank accounts, unless they are permitted to have negative balances.

However, negative balances- overdrafts- are functionally loans from the Fed, an agent of Congress. This means paying taxes via overdraft is paying taxes via obtaining a loan from the Fed. That is, in this example, the Fed must lend the dollars that it accounts for as payment of taxes.

The way 'insiders' say it, there can't be a 'reserve drain' without a 'reserve add'

That is, the dollars to pay taxes and to buy treasury securities necessarily 'come from' govt. spending and/or lending.

There is no way around it. Any issuer must issue before he can collect the thing he issues as a simple point of logic.

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[regarding trade](#), with a floating exchange rate there is 'continuous balance.' For example, in the case of the US, with perhaps a \$400 billion [amerikar bilioi bat = mila milioi europar] trade deficit, it can be said that we have the goods and services we imported, and non residents are holding the additional \$400 billion of \$US financial assets they received in payment, and at this point in time there is that 'balance' which has resulted in the current exchange rate matrix.

So I see only 'balance' at any given point in time, never 'imbalance', as a point of logic. Am I missing something? If so, rather than I write about every possible question I can imagine you might raise, can I ask for any of you to give me an example of why this is a 'problem' so to speak? Thanks!

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"In a period in which the theme of the insertion of foreign capital in the ownership and control seems to go beyond the scope of the last strategic assets in public hands and even get to lick the banking system, it would be good to do a lot more clarity on this point."

Yes, at any time I see public purpose in sourcing matters of strategic purpose domestically. For example, you do not want to outsource the programming of your military software which could render it useless in time of war. And I see public purpose in producing goods and services with strategic military purpose domestically, like the steel that goes into maintaining the military, and domestic sources of energy, food, etc. etc. Again, government is there for public infrastructure that serves public purpose, which includes strategic planning.

On the other hand, I don't see the public purpose in not allowing non residents to sell us most of what we call 'consumer goods and services' where, for example, a cut off in time of war would not alter the outcome of the war.

Along these lines, I see a serious problem with the euro zone's dependence on Russian energy supplies, even though Russia has 'promised' never to cut them off.

That and \$20 will get you a cup of coffee in Rome...

I see the euro zone as paying a heavy price in regards to real terms of trade with Russia and others, due to arrangements that I don't see serving public purpose, though the

certainly do serve influential private purpose.

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Remember, economically speaking, employment is a real cost to the worker. He is selling his time. The real benefit is the output. So I suggest you look at real consumption with regard to the euro members, to see who's winning and losing economically. But yes, any monetary union needs a system of fiscal transfers to ensure full employment and price stability. And I suggest the reason it doesn't happen is because it's not widely understood that if a region is assigned the production of public goods and services, in real terms that process is a real cost to that region, as it's employed to produce real goods and services that other parts of the union are consuming. Instead, because that region gets funding, it's assumed that region is benefiting in real terms. In other words, fiscal transfers can be effected to use the areas of higher unemployment to produce goods and services that are exported to the rest of the union. This all comes back to exports being real costs, and imports real benefits, etc.

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let me conclude today that as a matter of simple game theory labor is not a fair game, and if not supported in some manner real wages will stagnate at very low levels. This is because people must 'work to eat' while business hire only if they can make a desired return on investment.

For me it suits public purpose to make sure people actually working for a living and producing real goods and services consumed by the majority are worthy of being supported with high levels of education, health care, and other such public services, as well as being fed, housed, and clothed at levels that make feel proud to be members of that society. The proposals on my website are intended to work to that end.

Oinarrizko masa mugimendua eta DTM

So we've got an understanding now that the government can't be insolvent, that they can make payments, that we could spend the money. The money doesn't come from taxing. We can go ahead and spend it.

We're not ready for the consequences, any more than we're ready for the consequences of nuclear. We know we have to use it to end the war. We thought we did. Personally, I'm not sure, but I'm not going to get in an argument. So let's say we knew we had to use it to end the war, so we did it. But now we're open to all the consequences, right?

And now we're open to all the consequences and they've got the interest rate thing backwards. So if inflation numbers – CPI or however they want to measure inflation – starts to pick up, or housing prices, or who knows what, and they decide, look, we need to raise rates to go after this, it's going to be a mess. It's going to be that Krugman nightmare of, you know, massive debt, interest rates causing more inflation, and... You know, as the carpenter with this piece of wood, no matter how much I cut off, it's still too short, right?

So they keep raising rates and the inflation keeps getting worse. We get in one of those situations. To me, the next critical piece of knowledge to keep this thing from backfiring on us, is to understand they got the interest rate thing backwards. And I'm not seeing the kind of support that I think we need to get that understanding into mainstream thinking. OK, it's not coming from Bill, it's not coming from Stephanie. They're not disagreeing or anything, but not leading with it. And they're not in an all-out effort to get this out there.

[00:55:45.150] – Grumbine

You hear a lot of these guys talking about how, “Oh, it’s a good time to finance deficits because interest rates are low.” And I’m like, what are you talking about? That’s ridiculous.

[00:55:54.400] – Mosler

Right, but you don’t see MMP proponents leading with that. They’re still leading with things like, “look, the government can’t go insolvent. You know, they’re spending first.” It’s all correct, but it’s kind of fighting last year’s battle. And I’m not saying we’ve absolutely won that battle, but the next battle is the threat. I don’t think the solvency battle is a threat anymore. And there are plenty of people on that bandwagon now, plenty of MMT proponents working on the solvency.

Every Real Progressives type organisation is all over the solvency. Government prints the money. We can always make payments. What about inflation? Yeah, inflation. In the meantime, we can pay for covid. We can do this as long as we don’t do too much to cause inflation. We’re OK. They’ve got that. All the armchair economists got that one. All the millions and millions of MMTers. The armchair MMTers who are very good and we owe the world to.

But this whole thing has been a grassroots movement. People like yourself, people like these armchair MMTers, the bloggers, the Twitters, nobody’s ever seen this. This isn’t something that came down from some University of Chicago, like [theory of] rational expectations, you know, or Friedman or something, from anybody with any credentials. This came from people with literally zero credentials. OK, Stephanie, Randy, Bill, they have no Ivy League academic credentials. Period.

They are considered heterodox, out of the mainstream, never published once in any, you know, what would be considered a real academic journal. They publish in their own little heterodox journals that publish each other. You know, these people who couldn’t do math.. That’s what they call them – which isn’t true, Bill is a good mathematician – but that’s...

“Heterodox people weren’t smart enough to do math, so they became heterodox. Ideas that don’t make sense, but look, we’re politically correct, so let them do whatever they want.” It all came from them. And you see plenty of other ideas that have gestated there that didn’t make it. Because they were nuts, right? [laughs] Positive money and all that stuff.

[00:57:55.650] – Grumbine

Exactly, yes.

[00:57:57.720] – Mosler

OK, but this thing has survived the test of time. It came out of... Purely from the bottom up, nowhere else. I got a B.A. in economics from UConn. I don’t have credentials for anything. I was a finance guy on Wall Street, the academics won’t even talk to me. So it really came from nothing. And it’s just it’s all pure force of logic. And the fact that it’s true, you know. It’s the emperor has no clothes.

So the next contribution from MMT – there’s one more aspect to this and I won’t go into too much detail. But, if you ask the Fed what is the rate of inflation, they’ll say, well, what do you mean? Well, just the rate of inflation. They’ll say, well, we can tell you last month it was point three percent. The Consumer Price Index went up. Or the trimmed weighted average went up point two, or something, you know. They’ll give you all these measurements of past price index because they got it. They can tell you how they change.

That doesn’t mean that right now that that’s the rate of inflation. That’s what it was last month. They’ll say Oh, would you like a forecast of what it will be next month? Well, yeah, but that isn’t the rate of inflation. That’s your forecast of it. What is the rate of inflation? Well, how is it defined academically? Academically, inflation is the continuous change in the price level that’s happening right now. It’s faced by people in the real economy. What’s the continuous change in the price level

they're facing right now? That they're dealing with. That's affecting their business, their purchases their sales.

And that is what the markets call forward pricing. You're a gold miner and you're mining gold, you want to know what the prices for next year. Your gold jewelry, you want to know what price. Somebody wants to do a project, well how much is gold going to cost me if I buy it for delivery next year, or something. And so those are called forward prices. And **those forward prices are a direct function of the interest rates set by the Fed, the policy rate, the risk-free rate.**

So **when you have a zero interest rate environment in Japan for 10 years like we do now**, if gold is two thousand dollars today and you want to buy it for delivery 10 years from now, it's still two thousand. Because whoever buys it, somebody sells it at a profit, and he has to hold it for 10 years, he doesn't care. No interest charge, right? But if the rate is 10 percent a year – the interest rate, they raised their rate – now, the price of gold is going up. If you buy it and not take delivery for 10 years, it's going to go up.

You have to compound it over 10 years. It would be like eight thousand dollars, ten thousand dollars, because whoever is holding the gold has to you know, you can hold your money and earn the interest or you have to borrow the money and pay the interest. So the interest rate determines the forward price. You know, **it's a core component of forward pricing. The interest rate is a core component of forward pricing.**

So you go through the analytics, you go through the idea of relative value and pricing, and you can say that the term structure of prices, based by today's merchants, agents, people – buying and selling things for delivery tomorrow, the next day, next year, 10 years from now – that rate of inflation is the interest rate. **The interest rate set by the Fed is the rate of inflation.** It doesn't mean gold will be higher in 10 years. It means that if you want to buy it now, you've got to pay that much more for 10 years delivery. It might be lower, but that's what you've got to pay right now. That's just a fact. That's the calculation.

It's not a theory. It's just forward pricing. And so that is the academic definition of inflation. The term structure of prices, which is a function of the interest rate, faced by today's market participants. And so the irony is that the Fed, if you ask, hasn't even considered that. So the actual rate of inflation, academically determined – and that's what they're charged to take care of, the rate of inflation – is something they haven't even considered.

Now they spend hundreds of millions of dollars a year on research into inflation in the economy. **They don't have a single Ph.D. directed at looking at forward prices and how that affects the economy.** And of all the things they do, the rate of interest, they look at how that affects their own stuff, the economy, and all these other things in their models, **they don't recognize or understand or pay attention to the idea that the interest rate they're setting is directly changing the term structure of prices facing the economy.**

That they are setting the inflation rate for the economy, when they set interest rates. If they have a policy rate of one percent, in the 10 years at one percent, then the 10-year rate of inflation faced by the economy is one percent right now. They don't consider that. And if they raise rates to two percent, then that doubles. Now, the economy is dealing with a two percent inflation rate. Go to buy a house, somebody has to build a house, it's going to take a year.

The rate of interest is a big factor. It's not something they look at. So the actual true semantic, the definition of inflation, whatever you want to call it, academic, they don't even look at it. Because they don't know how that affects the economy or doesn't. Maybe it makes no difference and they shouldn't be looking at. But they need to know that I think. [laughs] I would think.

[01:02:54.350] – Grumbine

You know, I've never heard them talk about this.

[01:02:55.370] – Mosler

Some curiosity you would think. I mean, **no central bank in the history of the world has talked about this**. You think there's **at least be a curiosity to see this rate of inflation**, the academic rate as defined by all the universities, that they are setting with their policy rate – how that influences the economy. You know, try that. You know, like put that in your pipe and smoke it. [laughter] They don't even, like, give it a passing thought. That's a contribution I've sort of made to the interest rate discussion.

But it also points out that the higher rate of interest from the Fed is a higher rate of inflation, as academically defined, directly. Not like... It doesn't influence it, it is the rate. OK, so back to the argument that higher interest rates are higher inflation. Rates of inflation is direct through forward pricing, and it's influential through the aggregate demand channels, and the forward pricing channels through the cost channels for businesses. So we've got three ways. You know, we've got all the data, right? Because **Japan had zero rates for 30 years and you haven't seen that cause inflation?**

[01:03:58.700] – Grumbine

No.

[01:03:58.900] – Mosler

And I can remember, **Basil Moore** was an economist – he wrote Horizontalists and Verticalists – used to ask me, you know, 15 years ago, he said, "I can't understand it. Why don't we have hyperinflation in Japan? They've had zero rates now for 10 years." I'd been telling him for 10 years, that the zero rates are deflationary. He goes, "Yeah, but why don't people just borrow like crazy and do that?" I'd go, Basil, well, for one thing they don't. You've got all the data, OK? So maybe the stuff I've been telling you, the theory behind that data, maybe it's right. [laughs] You could accept it.

You would think people would just go out and borrow like crazy. I kept telling him, look, the interest income on the other side is just as powerful. And it was fun to watch him try and reconcile. What he thought to be true, with both theory and, at that point, 10 years of evidence. We got what was happening and now we've got 30 years of evidence. Ten years from Europe, negative rates and no inflation. Isn't that supposed to be hyperinflation? All their models, all the little curves, forecast inflation from those policies? That didn't happen? Same with the Fed.

[01:05:00.930] – Grumbine

The Fed has a dual mandate: price stability and full employment. They screw up full employment with NAIRU, and on the flip side, they screw up price stabilizing.

[01:05:10.450] – Mosler

But that's the.... What does **NAIRU mean? It means they raise rates too soon**, right?

[01:05:17.410] – Grumbine

Right. Yes!

[01:05:17.510] – Mosler

But that promotes full employment. So actually, the NAIRU saved them from being worse. Now, they've done it by basic income for people who already have money on a pro rata basis, which is absurd, really regressive. OK?

But see, that's what I'm talking about when, you know, MMT proponents talk about the Fed and its mandate, what it's done, and how the NAIRU has caused unemployment to be higher. But once you factor in that they've got their policy tools backwards, it's... Thank goodness. **It would have been**

worse.

[01:05:44.740] – Grumbine

That was an accident. Accidental...oh. Yay. [laughter] Wow. So this is an area that we really do need to really dive into.

[01:05:53.560] – Mosler

I don't want the Fed to get inflation up by raising rates. I'd rather see a progressive spending on something that we desperately need right now, or at least a progressive change in the tax structure, to lower taxes progressively. That would be my first choice.

Way more than paying more interest to people who already have money, if I wanted to get the economy going. I'd rather have a payroll tax cut than an interest rate increase, right? What would you rather have an interest rate increase or a Green New Deal? I'm going to help the economy – those are your two choices.

[01:06:20.850] – Grumbine

Yeah, I'm going to go with the New Deal.

[01:06:23.440] – Mosler

Nobody's putting it that way. They're saying if you have a Green New Deal, the Fed is going to have to raise rates. No, that's backwards, right? It just uses up fiscal space. It doesn't create it.

[01:06:32.170] – Grumbine

Can you describe what makes up fiscal space, please?

[01:06:35.860] – Mosler

Yeah. Rising unemployment is the evidence of fiscal space.

[01:06:39.490] – Grumbine

Got you. OK.

[01:06:41.840] – Mosler

And excess capacity – things for sale in dollars. Don't forget that tax creates things for sale. So if you just have a small tax, you're only going to get a few things for sale. And that's all the government can buy; it can't buy any more than is offered for sale. And you know, Randy and Stephanie will make that clear in their discussions that by excess capacity they mean offered for sale. But I don't think they lead enough with that when you're talking to a general audience.

They'll say, well, as long as we have excess capacity, we can do this or that. It's critically important to say that as long as there are things for sale with a dollar price tag on them, then the government could buy them. But without tax liabilities, there will not be things for sale in dollars. It just won't work. You could have hyperinflation. But, you know, that needs to be like led with more, I think. You know, they're technically correct. I can't fault them for that. But, I can just say I'd like to see more emphasis on it.

Lan bermea (Job guarantee)

[00:02:00.250] – Grumbine

Well, [the job guarantee](#)...

[00:02:04.450] – Mosler

We haven't really talked about that. We're talking about core MMT. [Let me talk about core MMT and the job guarantee](#) because everybody argues about whether or not it's core.

[00:02:08.740] – Grumbine

Yes.

[00:02:09.880] – Mosler

[So I don't use the word core MMT for that](#) – the job guarantee. What I say is, what is the base case for analysis? OK, so [you start with the base case](#). And [that's the money story](#). [Government puts a tax on, hires people they want](#). OK? [That's the base case](#). [We have a zero interest rate policy because there's no reason to pay interest](#). Like what Pompeii did, or what the British did in Africa. [That's the base case for analysis](#). [So zero interest rate policy](#). We talked about Pompeii, right?

[00:02:41.060] – Grumbine

Absolutely. Yes, we went through that.

[00:02:44.160] – Mosler

You know, I talked about it with somebody yesterday², I want to make sure I'm not... want to make sure I talked to you about it. OK, so Pompeii, that's the base case. They need public service people, they put a tax on your house, people show up, they hire. OK? Then we talk about, well, what if there's more people than they wanted who show up for work? What do they do?

OK, well, they want to reduce taxes... either they want to hire them, which is fine. And they don't have excess people. But if they want more people growing food and making wagon wheels and whatever else, making pizza, and fewer people in the public sector, understandably, [you need a certain amount of people doing private sector type things](#).

Unless you want to move it all into public sector. But you know, if you want it in the private sector – I'm not going to get into an argument whether pizza making should be public or private. But [if you want it in the private sector, then you want to send those people back to the private sector](#).

So here [we are in our base case](#), but the private sector doesn't want to hire them because once they've been unemployed, the way we treat unemployed, they're damaged goods, OK? And [the private sector only wants to hire people who are already working](#). They way prefer that. And all the studies show that. In fact, anecdotally, in the 2008 recession, there were ads saying "Help wanted, but unemployed need not apply."

It's not always the case, but it's enough of a case where it's a major problem of getting unemployed back to work because their work habits aren't there anymore, they haven't had a place to go to show up on time. They're not clean, or they get in fights, or they're on drugs, or whatever, it's expensive to hire somebody and then lose somebody.

You've got to go through the process again. And there are barriers to hiring and firing people, you know, a lot of resistance to having to do that. It's a very unpleasant thing to have to let people go and

² Ikus [Warren Mosler: ongizatea berrasmutzen \(aurkezpena Eskoziarentzat\)](#).

replace them. It's very disruptive.

So they'd rather hire people already working with a good track record, so their odds of success are better. So to help that process along, these unemployed, we put them in a transition job, a job guarantee job, with the idea that this is going to promote the transition of these people back because we made a mistake; the tax was higher than we wanted.

We didn't want them in the public sector, but we extracted them through the tax liability and we're going to hire them and then we're going to facilitate the transition back to the private sector. Now, if we decide we want to hire them for a Green New Deal? Great. You know, I'm 100 percent favor of that.

Just hire them and pay a normal federal pay scales, normal state and local pay scales. Fund the state and local governments to do it. But, you know, just hire them. And Bill Mitchell wants to hire people, have lifeguards on the beach that can teach surfing. I think that's an excellent idea. You know, much better than having more lawyers and more stockbrokers calling me up. I'd much rather have people helpful on the beach by a factor of a thousand, OK? [laughter]

And some of these private sector jobs are, you know, door to door salesmen. I really don't want those people bothering me. I'd rather have them on the beach teaching my kids how to surf. So hire them! You know, properly fund the public sector and hire them if you come up with any ideas like that. OK, but once we've adequately provisioned the public sector, and we've decided we still do need people in the private sector doing this commercial activity, a transition job is to promote them to the private sector.

So somebody asks, what are all these people going to do? Oh, they're going to transition into the private sector. That's the point. What if they don't? Well it means taxes are too high then we'll lower your taxes until they do. That's a good thing for you, isn't it? We'll have more public services for you until they transition. That's a good thing. We're going have more government spending or lower taxes, which are good things for all you guys asking me these questions. And we're going to do that until we get these people to transition.

So what's your problem now? Well what are they actually going to do? Oh, well, you know, one of my suggestions is we open up the federal, state, local governments to be able to hire transition workers on a fifteen dollars an hour transition wage to help them out with areas that might need help, knowing that there's a good chance we're going to keep fiscal policy loosened up where these people are going to be transitioning away from them and take jobs in the private sector.

And if you want to keep them in the public sector because you like them and they're doing good work, fine. Notify your supervisors to expand your department, to hire these additional people. And we're prepared to fund it because, you know, we want the public sector to do a good job. OK, so that's one thing that they're going to do. Another thing is we can open up all the nonprofits, the American Heart Association, American Cancer Society, want to hire people instead of working as volunteers, we'll pay them as transition workers, fifteen dollars an hour, which we should've been doing anyway.

But remember, they're going to be stuffing envelopes for you for a while. But at some point, good chance private sector is going to hire them away because we're going to keep loose fiscal policy in place to make sure the job guarantee pool is at a minimum. Unemployment's at five percent, job guarantee can be at two percent; do the same heavy lifting in terms of price stability, price anchor. Because it's a much more liquid buffer stock because people are employed rather than unemployed, they're very attractive to the private sector.

OK, that's how I answer those questions, I don't start going into all the wonderful things job guarantee people can do, because all those wonderful things are on my list of people we ought to hire in the private sector anyway, whether there's a job guarantee or not. I'm not trying to save money for the public sector by hiring job guarantee people at fifteen dollars an hour instead of sixty thousand dollars a year people to do the work. It's not the point.

[00:08:13.110] – Grumbine

Right.

[00:08:14.460] – Mosler

Otherwise, it becomes a highly regressive policy for provisioning the public sector.

[00:08:20.400] – Grumbine

Yeah, because now, instead of hiring people at a wage commensurate with their skill, et cetera, now you're basically actually providing a pay cut.

[00:08:31.280] – Mosler

Yeah. But they say, well, we're not going to replace anybody. When people leave, we're still going to replace them with this, but if you're hiring new people to do new jobs, it's the same thing, you know? I don't like it, you know, I think it's a step in the wrong direction for no reason. What's the purpose of doing that? To save money in the public sector? That misses the whole point of Modern Monetary Theory. You don't need to do that, OK?

So when I see MMT proponents talking like that, like they're missing the whole point. Now, some of the other MMT proponents – who are some of the leading names that you've interviewed – have an agenda which I don't disagree with necessarily, which is they'd like to have the public sector do all this work and not the private sector. They don't like capitalism, the way we have it. There are certain things, maybe lemonade stands or something, but they basically want the public sector to be doing all this work so the profit motive isn't there, which they don't believe serves public purpose.

And so one way to do that is to start with a job guarantee, get all these people in there and then have them expand into doing more and more enterprises that the private sector is doing now until we transition to more of a public sector economy. So their idea is not to hire these people to help them transition. It's not to just hire the people we need in the public sector first and then help transition, because they think that's politically naive. There's a war going on out there, OK?

And so if you do it my way, we will not adequately provision the public sector because of this ideological war and we will not have lifeguards that can help out, which I'd like to see. The only way we're going to get that is to make them job guarantee jobs and then transition into regular public service jobs. So they see it used in that avenue, okay? And I don't disagree with that, but I say, if that's what you want to do, just say it. Be intellectually honest about it. Well, we can't do that because then it won't happen, because we're fighting this war.

When you're fighting this war, you can't disclose your tactics like that or you'll lose it. OK, so I can respect that. But, you know, it's not what I'd do. I'm looking at it from the academic point of view. Like, we're all Americans looking out for what's best for everybody and, you know, it is majority rule, so to speak – I know about minority rights – but it is some kind of representative government. And I think there'll be pressures through the representatives because a majority of the people are not the one percent, that's why it's called the one percent. Not the fifty-one percent, it's the one percent. [laughter]

But if they had the 51 percent with everything then I'd say, OK, they're probably going to stay in control. But if it's the one percent there's an avenue open for the 99 percent to vote for somebody else. Now, I know the one percent influences them through all kinds of things, but they're still the one percent. They're still outnumbered. And so there's that aspect of the job guarantee of some fairly aggressive MMT proponents out there.

I talked to... there was another one, we were talking about the Fed and monetary operations and the swap lines. And I pointed out that the absurdity of the swap lines and he goes Yeah, but. You know, the swap lines are a way for the Fed to fund aggregate demand and spending on goods and services

overseas, you know, by providing swap lines for countries like Mexico or Bangladesh.

And those countries, instead of just using that money the way the headlines intend it to be used, which is financial assets, they could take their money and buy real assets and support full employment and all this other stuff in all these other countries. And I go, well yeah, that's fiscal spending and that's the realm of Congress. You know, if Congress wants to support full employment in Mexico or Bangladesh or Canada or New York, you know, they can do it. They don't need the Fed to come up with subterfuge of using swap lines for financial assets to get redirected into goods or services.

He says, well, Congress will never do that. We have the Fed giving swap lines, then there's a chance we could get it done through that avenue. Like, OK, look, either you believe in representative government or you don't, right? And you believe in an informed electorate or you don't. And I personally support the informed electorate approach. So I want the electorate to be informed on public versus private, you know, in terms of job guarantee, transition... hire the people you want.

And Fed swap lines are funding financial assets. And, you know, real assets are different. And the only informed approach would be to have Congress do that because it affects our supply and demand of real goods and services over here where the financial doesn't. So, you know, things are, let's just say, developing in that direction. Just like we have with Keynes, with Marx, with everybody else, so it's not an unusual thing. They had a Russian revolution in the name of Marx, which had nothing to do with Marx, right?

[00:13:32.800] – Grumbine

What would you say to the power dynamic, though? I think one of the big concerns you hear is the fact that the power dynamic is so skewed as it comes to labor's ability to organize, labor's ability to fight back. The voters, being able to get through a primary without having someone's thumb put on it, on and on and on. It doesn't really represent the representative government that you and I talk about.

[00:13:57.340] – Mosler

I think I'm in the real world. And labor unions worked for supporting wages of that particular union at the expense of other labor. So like when I grew up in Connecticut, Pratt & Whitney had a strong union. People sweeping the floor at Pratt & Whitney were making, three dollars an hour where people sweeping the floor in grocery stores were making a dollar twenty-five an hour. That was huge.

One was supporting his family and putting his kids through school, had two cars, the other was barely getting by. And so you had that problem. Then you have massive corruption problems in labor unions. Union leaders and the membership and what they do with their pension funds and everything else is, you know, and their political influence is legendary. Right? And so, yes, I know labor needs support or else real wages go to zero because it's not a fair game and labor unions are one way to get that support.

But there are other ways, and I vastly prefer the job guarantee to labor unions to support labor, and other legislation for institutional structure. And I think labor unions are good for working conditions and things like that, but you don't want the heavy money going through those things because we don't have the ability to control it or regulate it. And it gets pretty rough. I mean, it comes down to like real organized crime type problems. They weren't just isolated incidents, they were like everywhere. So if you come up with ways to overcome that, fine, But compliance is, like, critical.

[00:15:25.570] – Grumbine

With Bill Black in his work uncovering the banking industry and the fraud that goes on and so forth, I would suggest that there's already fraud going on. There's already unregulated fraud and stuff that is regulated is considered "too big to jail." So people, regular people, voters, people that think they have a stake in the political world are being taken from every end of the spectrum. My fear is, I see

no support for them. That's my problem. I don't know where you find support because politicians aren't doing it.

60-40 proposamena

[00:15:59.150] – Mosler

Right. And so therefore, **there's no support for the job guarantee**, there's no support for full employment, and these other things. But I think there is. And then **I come up with proposals to take the money out of politics**, which, you know, is absolutely critical. That's where the root of this problem, right? **You've heard my 60-40 proposal, right?**

[00:16:15.600] – Grumbine

Yes. Yes.

[00:16:16.790] – Mosler

OK, so everybody likes that. Nobody has any problem with it. Everybody agrees **it'll take the money out of politics**, but it doesn't get past my conversation with you. And **MMT proponents are not moving in that direction**. They're not, you know, shouting that one out, which everybody likes and yeah, it's not perfect as 60-40, but the concept is pretty good. And it doesn't solve every single problem, but it's, you know, I don't have to outrun the bear. I only have to outrun you.

It solves 95 percent of the issues, OK, in taking the money out of politics, taking the advantages of money out of politics. And it's just massively transformational and it can be adjusted; whatever you put in, if it's not quite right, it can be adjusted. Oh, what do you do if there's three or four parties? OK, make adjustments. States all do that.

I go over the concept and we can come up with a concept and the fine tuning is not that critical. And so, you know, there's nobody moving in that direction. And I was doing that for a while. And then I got sidetracked recently trying to focus on this interest rate thing. Once I saw over the hill in the solvency issue, the next thing was the interest rate. But behind that all is getting the money out of politics, which is... **I have not seen anything better than my 60-40 approach.**

[00:17:30.460] – Grumbine

Would you describe 60-40 for the listeners?

[00:17:32.960] – Mosler

Yeah, you make unlimited contributions to anybody you want. But – I'm just throwing out a number – 40 percent of whatever you contribute goes to the opposition. And that's it. There's no government money involved. And those Koch Brothers want to make 100 million contribution to Trump, then fine, but 40 million goes to Biden. And, number one, it's going to cut down on contributions, which is probably good.

But number two, it takes away the power of the contribution. And maybe 60-40 is wrong, maybe it needs to be 55-45, I don't know, whatever. But the idea that a substantial portion is going to the opposition takes that away. Now they say oh yeah, companies already give to both sides. Yes, but that makes both sides beholden, because if they're not, they're not going to get it. This way they're going to get it either way, whether they cater to the donor or not. So the opposition might get a little bit more, but they're still going to get a lot, even if they're against them.

And if they're against the Koch Brothers, whatever they want to do – you know, burn more coal or something – then Trump might get out of 100 million, Trump gets 60 and you get 40. But now you can raise 20 million from the anti-coal people a lot easier than you can raise 100 million, right? Today,

Trump gets 100 million, you get zero. You gotta go out, try and raise a hundred. Under this program, Trump gets 60, you get 40, now you just got to have 20 million anti-coal. It's a whole lot easier.

And even with 40, you can be pretty effective in at least answering back what they're trying to shout, right? They're trying to out advertise you. With 40, you can have a targeted, effective response in the markets you want. So it's easy to enforce and, you know, massive penalties for political candidate. You get disqualified if you're not compliant.

And no government money involved, no politics involved. Not favoring one side over the other. And it takes away a lot of what our politicians are doing, which is spending two-thirds of their time raising money. It takes away that imperative. So it's got everything going for it and again, I've seen it proposed at the national level by some small group five or six years ago, and it never went anywhere.

[00:19:37.830] – Grumbine

Right.

[00:19:38.920] – Mosler

You know, no major group has taken it on, but it seems like the elegant solution to get this thing going in the right direction. Because once you're there, now you're in an entirely different place, different context to then make your next move on campaign finance. You can do that and then see what the world looks like and then see if you need to make a further adjustment. Right. But I think without that, you're right. Without that, all the stuff we're talking about is out of nowhere going to get shot down.

[00:20:07.180] – Grumbine

Right.

[00:20:08.490] – Mosler

That's what's happening. Out of nowhere, Biden's against the Green New Deal. It's like, where'd that come from?

[00:20:15.070] – Grumbine

Because he was always to the right of Reagan, [laughs] that's where it came from.

[00:20:19.000] – Mosler

He hasn't always been anywhere. You know that.

[00:20:21.130] – Grumbine

Yeah, that's true. He's kind of mercurial.

[00:20:23.510] – Mosler

Trump has to go. The way I've been saying it is, you know, Trump was the price the voters were willing to pay to get rid of Clinton, to keep the Clintons out. And now Biden's the price the voters are willing to pay to get Trump out. He's an absolute risk to the whole constitutional and democratic process. With Trump in there were risking, you know, becoming Venezuela or Somalia.

Seriously.. Because of the way the rule of law is going, He just uses the legal system to attack political opponents. That's just like so far out of bounds and so high risk in terms of losing your whole civilization. That's core. That's core America. How can you persecute whistleblowers? Like they're

supposed to be heroes, you know?

[00:21:05.410] – Grumbine

Obama did that too. Obama did that!

[00:21:07.660] – Mosler

I know. I know. I know.

[00:21:09.600] – Grumbine

It's devastating to me because you're left with a gun to your head...

[00:21:13.400] – Mosler

I don't care if they all did it. Trump's doing it now. So he's got to go. And if Biden's doing it, he's got to go.

(...)

[00:22:50.470] – Grumbine

Just the point of nothing happened. Nothing.

[00:22:53.580] – Mosler

That just to me, was more of a cause of nothing to happen, you know, it kept something from happening because it's such a gimmick type of thing of something that doesn't need. You can do that without it. It doesn't add anything to the solution to do that.

There's no benefit to that except trying to make something look like... you know, running away from the police when you're not guilty doesn't advance your cause, I don't think. So any, but, you know, it's not anything operationally wrong with it, it's just like, it just sends a bad message, that I think. I think it doesn't send a constructive message. But look, *Elizabeth, my wife here, she said it's not the banks that are too big to fail, it's the political parties that are too big to fail.*

[00:23:30.680] – Grumbine

Yeah, yeah.

[00:23:31.820] – Mosler

How can these parties that brought us this be the two parties giving us candidates? You know, where does this come from? And *that comes back to my 60-40, the money. Ten, twenty years ago – more than that now – I went to the Democratic Party in Florida to see if I could run for Congress.* Told me *"you need 750,000,"* OK well do you care about the issues or where I stand? They say, "No, we don't really care, as long as you have 750,000 we'll take you on as a candidate [laughs]"

[00:23:59.950] – Grumbine

That's terrible. My God.

[00:24:01.870] – Mosler

Yeah, yeah. *So that was 20, 25 years ago.* Who knows what it is now. So that's what we're up against. We're up against political parties that. it's, again, an institutional structure where it's not going to go

to three because you're wasting your vote. Which you are. Yet why aren't they failing? You know, their approval ratings are under 10 percent and they're still there. Why aren't they gone? Any other business would be gone.

[00:24:28.760] – Grumbine

Almost 80 percent of people are unregistered. They're independents and they still can't crack it.

[00:24:33.890] – Mosler

Right, right, right. So, you know, that's going to require some kind of like structural change to elect candidates. And one of them, a big one, I think, is the money. I really do, I think it comes down to that. And, you know, **none of the MMT crowd is advancing that monetary solution**. And, you know, **since we're modern monetary theory, it's a monetary dynamic, you know, the whole campaign finance...**

And this changes the monetary dynamic the same way it changes the sequence of deficit spending. Right? **It's that kind of upheaval, that kind of reversal; or the interest rate thing is backwards. Who would think that in the history of the world, all these central banks all over the world got the interest rate thing backwards with all the PhD's they have researching it? But they do.**

And how probable is it that **one guy sitting here in a pair of shorts in St. Croix knows that they don't?** It's not probable at all. But, you know, you could have said that about governments being insolvent. **After 30 years that's worked its way from nothing up to five trillion this year, or whatever the deficit is going to be, without a tax, so... It's been effective.**

[00:25:39.970] – Grumbine

Right.

[00:25:40.510] – Mosler

It's been from the bottom up effective. And you know what motivates guys like you? This thing has motivated guys like you, who're getting nothing out of it. You know, you're not getting funded by the Koch Brothers or something. The right-wing has required enormous funding. This isn't even the left. This isn't even partisan. **But it's taken over, totally transformed mainstream economics.** Out of the mob.

How can the mob transform mainstream economic thought and logic in terms of how the money system works? Well, is that improbable or what? It's not like they change the attitude towards unemployment or anything. It's changed their understanding of Fed operations. OK, how does a mob of people, an unruly mob, change the mainstream, you know, PhD intellectual economists' understanding of Fed operations.

But you've done that. **How does a guy like you, calling people on the phone, who don't know a bond from a stock, organizing people who are really upset, change, you know, people like Krugman and Reich changing their understanding of Fed monetary operations?** Not as a populist policy. It's totally improbable that that would ever happen in that way.

[00:26:56.920] – Grumbine

Right. Yeah.

[00:26:57.690] – Mosler

Something like that? We're organizing a movement here because bankers on Wall Street don't understand how money clears at the Fed. Could you please sign on to that? [laughter] That's what

happened. OK? That's happened. [There's a grassroots movement all over the world](#), and it's changed their perception of how the checks clear at the Fed.

[00:27:19.760] – Grumbine

Isn't it something?

[00:27:21.210] – Mosler

Yeah, you've been part of that. Did you ever realize that's what you're part of?

[00:27:25.060] – Grumbine

Every once in a while I pinch myself and say, hey, wait a minute. [laughter]

[00:27:29.180] – Mosler

What's going on? Yeah, what is this force? This force does that? [laughter] The French Revolution was not about changing their understanding of how checks clear at the French Treasury or anything. That was a big revolution, There's been a massive revolution about promoting an understanding of how checks clear at the Fed. What's that all about?

[00:27:51.450] – Grumbine

It's amazing is what it is.

COVID-19

[00:21:20.780] – Grumbine

OK, so [let's take the next step](#), because this is really important, because Trump has failed miserably on the [COVID-19 side](#), but then again, Congress has failed.

[00:21:31.040] – Mosler

Did you hear what somebody said? I read something that's cute. Said, "I prefer presidents who don't get COVID." [laughter]

[00:21:42.070] – Grumbine

Who was the lady that gave... Typhoid Mary or whatever it is? I mean, he has literally, you know, gotten so many people infected through his actions or directly. It is pretty unfathomable. But it does bring me to the question. Clearly, the nation has been put on hold for a long time and his response has been tepid at best. Congress has been woefully miserable as well. There are no good guys here...

[00:22:11.600] – Mosler

Yeah. Their approval level's like eight percent or something. [laughs].

[00:22:13.970] – Grumbine

It's ridiculous. And these are supposed to be the quote/unquote, "representatives of the people." And you look at this, neither side is... I'll just be honest, I see no heroes here. They're all worthless to me. And I wonder to myself, aloud maybe, [why we didn't nationalize payroll like Pavlina had said?](#) [Why do we not provide emergency covid payments?](#) Why do we not do any of these things, like even the "mint the coin" through Rashida Tlaib and Rohan working with those guys over there? Why did

nothing happen? Literally nothing?

[00:22:45.920] – Mosler

See, I thought that was... Equal chance of making it worse than making it better.

(...)

[00:28:54.520] – Grumbine

So, **back to COVID**. We clearly have politicians that are unwilling to move and there is a money story in that sense, too, that you've just told. And there's a monetary solution to that possibility for fixing the way elections are funded and so forth. But let's talk about how we fund people and your response is...

[00:29:15.020] – Mosler

OK, with COVID, my response is **we've got a massive supply shock** – just people not going to work and doing things. But it's a massive supply shock for non-essentials. That's kind of interesting. So we don't have movie theaters. Well, OK. Doesn't create a shortage and the price of a movie goes up, right? And there are people out of work. And it creates a supply shock for restaurants, you know there aren't restaurants open where we can go eat.

There's also demand shock, people don't want to go to eat because, you know, desire to save. And people are out of work so they're losing income. So **we've got like demand and supply shock going on at the same time but the supply shock is on non-essentials**. So number one – and get me back to this point when I'm done here – we've cut our energy consumption in some areas, I don't know, 20, 30, 40 percent.

We've reversed the environmental degradation process by 20, 30, 40 percent by eliminating non-essentials. I think I might have talked to you about this before this whole thing started, that I thought a lot of it could be done through conservation. **I thought we could get rid of half our energy consumption through conservation**. I think we may have talked about this, talked about speed limits and other things, usage of non-essentials. You know, **eliminating non-essentials IS conservation**. We've just proven that through conservation, we've eliminated 20, 30, 40 percent of our environmental degradation.

We didn't spend a penny on Green New Deal or anything else, we just engaged in massive conservation. And do we really want to like... Has anybody talked about, well, if everybody goes back to work, we're going to be back to the old levels of environmental degradation? **Do we want to do that? Do we want to reverse this 20, 30, 40 percent progress we made, which is probably more than we would have made, spending seventy-seven trillion dollars over the next 20 years, right?**

If it wasn't for the COVID. Do we want to reverse all this... this huge gain? You know maybe... Are we thinking let's restart this economy, but **if they're non-essentials and they cause environmental degradation, maybe we shouldn't be doing them, maybe we should do something else?** I mean, where is this conversation? Are you hearing this anywhere?.

[00:31:22.220] – Grumbine

No, not at all, not...

[00:31:23.530] – Mosler

Pretty compelling conversation. You know, if your house is full of smoke and you haven't been able to breathe for years, and it's getting worse and then something happens, and you give up something you realize you don't need anyway, and the smoke clears. Now, you say "Gee let's get back to doing

what we were doing before and fill the house with smoke again?" No, I don't think so.

Maybe we don't want to do that. **Maybe we should do something different this time than what we were doing before** that caused our house to fill up with smoke, you know? But it's not even like part of the conversation any more. And we don't have any leadership that can make it part of the conversation. **We're certainly not seeing it come out of AOC or any of these people. They're on to something else now. So they're not going to be leading in that direction.**

I don't see the environmentalists leading in that direction. So the answer is, yes, we can come up with a financial plan to get people back to work and everything, but we can also direct it. We direct it more towards people watching movies at home instead of going to the movie theaters, we save all that driving and all that movie theater stuff, you know, real resources. And **we can do other things**, whatever else we've been doing, so we can cut down on gasoline consumption, you know, we stay at the lower levels.

We don't need to cut that anymore, until we do. Just stop increasing it and we don't have to increase from here. **Nobody's dying now because they're not out driving. They're not making money, but they're not dying.** OK, and all the travel and everything else, OK? **All nonessential, you know, you can still live pretty well. You don't have to do all this traveling. And you don't have to have all these meetings.** Now, all of a sudden we realize we can do it without them. Do we want to turn that back on and start having more face to face meetings and everything else, with all the environmental degradation that implies? I don't think so. I mean, I don't.

[00:33:15.100] – Grumbine

Makes no sense to me at all. I love it like this. I hate to say it, but I really do enjoy working remotely.

[00:33:21.470] – Mosler

Yeah. And what would the leadership in government be doing now moving us in that direction? Well, you know, **let's get the infrastructure in place for remote working, for consumption of things that are zero marginal cost, zero energy usage, or near zero.** If you download more songs or watch more software or something like that, or come up with more entertainment, that doesn't have the same cost as driving around on a jet ski burning gasoline or something. You know what I'm saying?

Flying somewhere to do something. To get FAA approval, you've got to have your resource consumption has to be a lot lower now because we realize... Well, then we won't have as much air flight. Fine. We don't have as much now. You know what? We're OK. Nobody died. We're OK. **And we don't want to have more of this stuff if it's going to add more CO2 to the atmosphere or something like that. We realize that they're non-essentials, you don't have to start in the non-essentials again.**

So **we can just do with more essentials and come up with ways to do things... you know, have the think tanks coming up with ideas and legislation for things we could do where we don't degrade the environment.** So anyway, the other thing is **we don't have any idea because of the supply-demand thing now; there aren't many models out there that can figure it out.** How large a tax cut we should have, or how large of a stimulus check we should have, how much unemployment compensation? I don't think we really know.

And so it'd be very easy to just add two trillion and oh, that's too much. And suddenly the price level doubles and now what do we do? Or we didn't have enough, so... **When I designed my proposals, I designed them to all be countercyclical.** So I said, OK, **five hundred dollars a week, federal unemployment compensation above state and local for everybody who's out of work and cut the requirements down.** If you're not working, you know, don't make it impossible for people to get unemployment compensation like we used to, you know, before this started. Let's make reasonable requirements for this thing.

What that means is that **if that's enough demand and if it becomes safe to go to work, and if we have supply side things that we're allowed that are not degrading the environment and now more people**

are being hired, then it's kind of cyclical so that the five hundred dollar payments might add up to a trillion³ the first year. Once everybody goes back to work, they go to zero. So whatever it is will go away when things recover. Therefore, you're automatically going to cut back as things recover and you don't have the risk of overdoing. OK, you know what I'm saying?

[00:36:10.560] – Grumbine

Absolutely, yeah.

[00:36:11.640] – Mosler

Yeah, so I said, look, we should give all the state and local government money on a per capita basis, so it's not political. That's another thing that hasn't even been discussed. It's entirely apolitical. If you get a thousand dollars per person goes to your state treasury as a federal transfer thing. Not to the person but to the state treasuries. So if you've got 40 million people in California, you get 40 billion⁴. You got four million people you get four billion.

OK, so it's just on a per capita basis. Now you don't have red states paying for blue states or you're not rewarding bad behavior. If somebody has had good behavior, they've got the money to spend on good things, for somebody who's had bad behavior, they've got to pay interest and bills and put it in their pension fund or something, right? The other guys can have new buses and trains, whatever, new roads.

So it's not like there's no moral hazard doing it if it's done on a per capita basis. It doesn't even have to be proposed that way. That would break the log jam. But how much do you give the states? Well you give them enough to replace their lost revenues and go by the worst state; to give them enough for their lost revenue and they need to scale it all up per capita, so if another state gets extra, fine, you know, nobody's paying for it. The worst states get their money per capita, they're just, unfortunately, the worst states. They've got to use it for necessities. The other states get to use it for new stuff, or whatever you want to call it, enhancements.

And then you give them enough for three months – revenue. And then at the end of three months, if things are still the way they are, give them another three months. Now they don't have to cut back on the police. They don't have to cut back on school teachers. Don't have to cut back on whatever else they're now cutting back on. So you maintain your state and local services. To me, that's easy.

It's countercyclical because as their tax revenues pick up, you just look at what they need for replacement, and it goes down. It scales out in response to new evidence the way unemployment does. So those two things to me were critical for the COVID recovery financial plan. Those were the pillars of it to get countercyclical funding in place now that's not too little, not too much, and probably pretty close. And then you can always fine tune it from there if you have a larger problem.

The other thing, Social Security, I think the minimum, just be two thousand a month for all – everybody over age, whatever, 65, 70 whatever we think the retirement age should be. And we don't have seniors as part of the... You know, there's no moral hazard there. It's not like, oh, you know, I'm going to get two thousand a month when I get to age 70, so, I'm only 30, but I'm not going to work. There's no connection. There's no chance of that. And that shores up all of our seniors.

We don't have a problem with, you know, desperation at that level. We also should be going Medicare for All, right? Just lower the age from 65 to zero. It's a deflationary event, put a lot of people out of work, but that just means we don't need a tax increase right now. We're going to have the 500 dollars additional federal compensation. We're going to have a job guarantee to help transition the private sector. We're going to be working on ways to create schools that are safe to go into for kids to learn, or some kind of remote learning where there's social interaction, which we don't have now.

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Whether it's electronic or whether it's face to face kids and it protects the teachers and protects everybody else; and fund it all properly. And we're going to have ways to travel that's safe. Maybe we can't do as much of it, but what we have, it's going to be safe. There are ways to make the subways safe in New York City so that people can ride if they want to.

It might not make the sense to do that. But anyway, there's like nobody even beginning to think about those things, that I've seen. I really don't have the answers. I only have, you know, questions for discussion. These are mostly questions I'm posing for discussion. Proposals just to get this discussion started. But I guess that's a better way to put it. It's how we get the discussion started.

[00:40:16.690] – Grumbine

So block grants have been around forever. This is not an unfamiliar territory. The country used to do this back in the 70s.

[00:40:25.390] – Mosler

Were they per capita to all the states?

[00:40:27.120] – Grumbine

No, no, no. I'm saying that they had like a kind of pseudo revenue sharing of sorts.

[00:40:32.170] – Mosler

Yeah, yeah, I know. But the arguments get in to how you do it equitably and [nobody's suggested per capita](#). Now if the states got together, formed this . . . they had their own monetary systems and they formed the central government and decided the monetary system's best there.

But if they then, quote, you know, "credit money back to the states on a per capita basis," then I think, you know what I mean, they haven't, like, acted out of line or anything like that, that's what they're there for. That's what the states centralized the money for that they could have it all in one place and have it available, you know, to benefit the states. [The states are the beneficiaries of the federal government.](#)

[00:41:10.280] – Grumbine

That's what I was saying. I'm in agreement.

[00:41:13.300] – Mosler

Trump's here saying, oh, you know, this is federal stuff. This is not for the states. The whole federal government's for the states; that's why it's there. He doesn't have the ability to understand the core principles behind anything. He only has first-order understanding like a six year old. And you know others have the understanding but they're diabolical and they try to undermine it. Trump really just doesn't even have the understanding. So there's just no chance.

[00:41:37.800] – Grumbine

It's like a bastardized 10th Amendment type of crankery. It's just as bad as money crankery. You got Constitution crankery. Yes, absolutely.

[00:41:48.730] – Mosler

It's not even crankery. It's just too hard for him. He never got that far. It's like trying to explain to a first grader how the stuff works. He just glosses over. You know, they can only understand if I'm nice

to you, then you be nice to me, first-order quid pro quo stuff, that's all you know as a sixth grader. Okay, what are you gonna do for me if I do this for you. You know that's where you are. That's called arrested development..

He never got past that, it's not his fault. You know, it's like if you're watching a football game or a basketball game, and they drop the ball and it's kind of funny and you're laughing. And then you realize it's the Special Olympics. Well, it's not funny anymore. You look at it differently. Trump is like somebody in the Special Olympics. It's not funny. Just like, fine, he's doing that, it's nice to have given him the chance, but it's depressing.

[00:42:37.300] – Grumbine

Right. It is ugly. There's no getting around it. I mean, we've got the worst of all worlds. We've got a guy who is just absolutely inept and corrupt and absolutely unstable. And on the other hand, we got a guy absolutely no one wanted and they've rigged a primary for him. And then the person that came in last place is the vice president. And then the person that nobody wanted and didn't even campaign is suddenly thrust past the person everyone wanted.

[00:43:03.940] – Mosler

Not only the person who came in last, the person who made the most malicious cheap shot attack on him in the first debate. You can't imagine. You know, out of context entirely. Like this is within a political party to do that? You know, that was like enough to get thrown out of the party. You want to do an attack? Fine. You know, be professional about it. That was just horrible. And that's what we got. Yeah.

[00:43:29.670] – Grumbine

It's gross. It doesn't make me feel good to look at my son and I say, gee, I am so sorry I failed you. I failed you miserably to allow Biden to even sniff the White House or Trump. And it's just disgusting. I mean, I feel like a failed human being that these people are even in existence, much less running for president of our United States. Awful. Awful.

[00:43:52.700] – Mosler

Yeah, yeah. Well, like Don Rumsfeld used to say, you got to fight with the army you got. And Trump's got to get out of there right now. And then we're going to have to deal with what comes next.

[00:44:04.640] – Grumbine

I hope that the typical bougie Democrat approach, which is to go back to sleep and defend blue like the police defend blue, doesn't happen the day after... Because that right there is for many of us, it's a fate worse than death. You know, we can't wait around for that. And the austerity that Democrats like to do, they fancy themselves to be fiscally responsible and they're repairing the image of irresponsibility of the Republicans. And then they go in there and make us eat our peas and really hurt us very, very badly.

[00:44:38.350] – Mosler

When I talked to [Bernie Sanders](#)...

[00:44:40.040] – Grumbine

Oh, God, yes, yep. Go ahead [laughs]

[00:44:43.120] – Mosler

...about Medicare for All. I told him how [it didn't need a tax increase because it's deflationary](#). It's like "I've been a fiscal conservative all my life. I'm not going to change now."

[00:44:54.630] – Grumbine

Yep. It's scary.

[00:44:54.660] – Mosler

What's that all about?

[00:44:56.990] – Grumbine

How in the world did Stephanie not penetrate that? Such a presence, how was she not able to overcome that? Not her fault, I mean how was it...?

[00:45:07.730] – Mosler

She got everything across. She more than got everything across. He just wouldn't go there.

[00:45:12.420] – Grumbine

What a shame.

[00:45:18.120] – Mosler

His aides all got it. [I was there with them, you know, the guys working for him. They're good people](#). But when he starts talking, they just start rolling their eyes. And he's the best we got. That's the thing. Again, you got to fight with the army you got.

Quebec, Eskozia

[00:45:29.600] – Grumbine

Right, yeah, yeah, it's an ugly picture. But Warren, let me ask you one final question. You're getting ready to do a thing out there [in Scotland](#). Actually, [Stephanie has been involved with trying to help create the currency freedom out there in Scotland](#). And I'm just curious, you're about to speak out there. What can you tell us about Scotland?

[00:45:51.140] – Mosler

Well, it's on Zoom. And they want to separate. [I was with Quebec](#). I put up a monetary play for them [in the 90s](#). Barely missed by, like, a couple of votes. But it's the same kind of thing. So I named a new [currency the "kilt."](#) And you know why?

[00:46:09.730] – Grumbine

No idea.

[00:46:11.980] – Mosler

Well, OK, what's the first thing everybody asks about a currency? [They want to know what's behind it, right?](#) [laughter]

[00:46:18.110] – Grumbine

And you're gonna call it the kilt! [laughter]

[00:46:22.070] – Mosler

Yeah. [laughter]

[00:46:25.090] – Grumbine

That's great. OK. [laughter] That was worth the price of admission right there, Warren. All right.

[00:46:33.430] – Mosler

Well, the only thing I have is what they call the commonweal. Have you heard that? Like the commonwealth. I entitled the presentation "Reinventing the Weal"⁵ you know? [laughter] **W E A L**. So the anti.. a lot of them think **they should just go with British pounds**. And they say if you go with your own currency, you're going to have currency depreciation, inflation, you know, turn into Venezuela.

And so **my idea on how you go to your own currency is a way where that doesn't happen**. So I made a presentation. So they want me to do it again to this next group, **kind of a repeat of what I did when I was over there a couple of years ago**. And so far, **Stephanie and myself, we've just been kind of advisers** on the letterhead. So **this is my first actual participation in something**. **Before, I was over there with Bill Mitchell, I made a presentation – we both made presentations on starting a currency**.

And we're getting the usual objections. You know, like they have a trade deficit or this or that, which, they don't even know what it is because there's no real reliable records of what Scotland's trade gap is any more than it is for Connecticut versus New York, or something. **Because they're all within the U.K. they don't know what their target or financial transfers**.

Well **that's all going to change when they have their own currency**. So they're using these numbers that some organization came up with showing they have a massive current account deficit. So therefore, if they have their own currency it'll go down. Well, only if you started at a level it's too high, right? It'll make a one time adjustment to a new level. It doesn't like just go down forever because there's a deficit this year and the range on the deficit, if you look at the details, anywhere from one to 10 percent, so they're using the 10 percent as sensational low.

Well, what if it is? What does this matter? So I've got a whole thing about – hey, it doesn't matter anyway. But the hype, the debits and credits worked through and all that. So it's not a problem. **I've gotten through to a lot of knowledgeable people, you know, I think former people in finance, Bank of England types or Bank of Scotland types. I've been on board promoting my proposal, and they just want me to talk to, you know, support**.

[00:48:49.990] – Grumbine

All right, well, I look forward to catching up. When I saw that, it got really exciting. Obviously there's **MMT Scotland out there** and trying to make some connections with those folks, and just keeping an eye on it to see how it goes. There are some opportunities here in the states too, Warren.

The indigenous folks on the reservations. They have a real opportunity to establish a currency of their own and to be able to understand how to do a balance of payments between the United States and their own sovereign territory. So this is another opportunity right here.

[00:49:27.150] – Mosler

Yeah. **I did a presentation on it years ago up in Ottawa for the indigenous nations** – I think they call them up there – to do exactly that. And there were a couple of people promoting empowerment. But

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that's as far as it got.

[00:49:38.970] – Grumbine

Right. Well, Warren, I want to thank you so, so much for taking what amounts to be many hours. I'm blown away... I just looked down at my watch and I'm like, wow, we have been talking for a while.

[00:49:50.970] – Mosler

Did anybody listen to all this?

[00:49:52.590] – Grumbine

You better believe it. And let me just tell you, for our listeners, folks, now that we've gone to our website, instead of using the old platform, we have been able to break through so many barriers with this heterodox type show here. We've been able to reach a huge audience. Our listenership has more than tripled in the last two months.

And it's really been a testament to the voices and the subject matter that we've been able to bring to the table. And Warren, you sir are the origin of all of this. And I really cannot tell you how much I appreciate your work, [Bill's](#), [Randy's](#), [Stephanie's](#)... the whole gang. Everybody Fadhel, Scott, Mat. You all have done such great work and you nailed it.

I don't get paid a lick for doing this. We're a non-profit, so we survive by donations. But I do this because I'm so passionate about seeing the changes happen and it can't happen fast enough. It probably won't happen in my lifetime, but...

[00:50:55.980] – Mosler

But you've got [Stephanie](#), [Bill](#), [Randy](#), [they've dedicated 25 years to this](#). Their whole life. I mean it's not just like a little hobby. Their whole persona as academics just defines them.

[00:51:10.110] – Grumbine

Right?

[00:51:10.480] – Mosler

[And the new ones coming up](#), I mean, they've got their own whatever, but defining their persona with this. And, you know, the raw numbers now, obviously, to make this almost common knowledge tells you that the support that they've garnered doing what they're doing...

Now, I can talk to a few people at a time, but [they're the ones who really got to mass numbers of people, large numbers of people through their own media, through their own accomplishments, through their own presentations. And I mean nonstop. Nonstop](#). You know how much Bill writes...

[00:51:41.700] – Grumbine

Oh, it's crazy.

[00:51:42.770] – Mosler

You don't want to look at Stephanie's travel schedule about how many different people she talked to and how many people in Washington. She didn't just sit around watching TV in Washington. She was out constantly with all the different financial type of leads and political leads going through this stuff. And you have to kiss a lot of frogs. [laughs]

[00:52:01.390] – Grumbine

Yes, yeah. Well, look, Warren, thank you so much for this. I really appreciate it immensely. And yes, by the way, people will actually listen. So with that, this is Steve Grumbine, Warren Mosler from Macro N Cheese. Thank you, folks. We're out of here.

Gogoratzekoak:

(i) Soft Currency Economics

<http://moslereconomics.com/wp-content/uploads/2018/04/Soft-Currency-Economics-paper.pdf>

(ii) White Paper: Modern Monetary Theory (MMT)

https://docs.google.com/document/d/1gvDcMU_ko1h5TeVjQL8UMJW9gmKY1x0zcgKIRTZQDAQ/edit

(iii-a) Gutxieneko alokairua eta lanpostuak (Mosler-Silipo-ren proposamena)

<https://www.unibertsitatea.net/blogak/heterodoxia/2016/04/21/gutxieneko-alokairua-eta-lanpostuak-mosler-silipo-ren-proposamena/>

(iii-b) Prezioen egonkortasuna eta langabezia (Mosler eta Silipo-ren proposamena)

<https://www.unibertsitatea.net/blogak/heterodoxia/2016/04/23/prezioen-egonkortasuna-eta-langabezia-mosler-eta-silipo-ren-proposamena/>

(iv) The Natural Rate of Interest Is Zero

<http://moslereconomics.com/wp-content/graphs/2009/07/natural-rate-is-zero.PDF>

Mosler Ekonomia:

Mosler Ekonomia: <https://es.scribd.com/doc/117085604/Mosler-Ekonomia>

Mosler Ekonomia: <https://www.scribd.com/document/369210217/Mosler-Ekonomia>

Mosler Ekonomia (2)

<https://www.unibertsitatea.net/apunteak/gizarte-zientziak/ekonomia/mosler-ekonomia-2>

Mosler Ekonomia (3)

<https://www.unibertsitatea.net/apunteak/gizarte-zientziak/ekonomia/mosler-ekonomia-3>

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Mosler Ekonomia (5)

<https://www.unibertsitatea.net/apunteak/gizarte-zientziak/ekonomia/mosler-ekonomia-5>

Mosler Ekonomia (6)

<https://www.unibertsitatea.net/apunteak/gizarte-zientziak/ekonomia/mosler-ekonomia-6>

Mosler Ekonomia (7)

<https://www.unibertsitatea.net/apunteak/gizarte-zientziak/ekonomia/mosler-ekonomia-7>